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## **NATIONAL ELECTRONICS HOLDINGS LIMITED**

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 213)**

### **DISCLOSEABLE TRANSACTION DISPOSAL OF PROPERTY**

The Board is pleased to announce that with effect from 22 August 2014 (Canadian time, after Hong Kong trading hours), the Agreement entered into between the Vendor, an indirect wholly-owned subsidiary of the Company, and the Purchaser has become legally binding on the Parties. Pursuant to the Agreement, the Vendor agreed to sell and the Purchaser agreed to purchase the Property.

As one of the applicable percentage ratios (as calculated in accordance with Rule 14.07 of the Listing Rules) of the Disposal exceeds 5% but is less than 25%, the Disposal constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules.

### **THE AGREEMENT**

Date: 1 August 2014, as amended by the Amendment Agreement dated 8 August 2014. The Agreement only became legally binding with effect from 22 August 2014 (Canadian time, after Hong Kong trading hours).

Parties:

Vendor: Unionville Development Corporation

Purchaser: 2426483 Ontario Limited

The Vendor is a corporation validly existing under the laws of the Province of Ontario, Canada, and an indirect wholly-owned subsidiary of the Company.

The Purchaser is a corporation validly existing under the laws of the Province of Ontario, Canada. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Purchaser and its ultimate beneficial owners are Independent Third Parties.

## **Assets to be disposed of**

Pursuant to the Agreement, the Vendor agreed to sell and the Purchaser agreed to purchase the Property on an as-is, where-is basis and free from encumbrances, save as to the encumbrances and other interests affecting the Property which have been identified and set out in the Agreement for a total consideration of C\$26,980,000 (equivalent to approximately HK\$191,426,000) (exclusive of tax) subject to adjustments.

On completion of the Disposal, the Vendor shall deliver vacant possession of the Property to the Purchaser in accordance with the Agreement.

## **Consideration and payment terms**

The total consideration for the Disposal is C\$26,980,000 (equivalent to approximately HK\$191,426,000) (exclusive of tax) subject to adjustments, and is payable in cash in Canadian dollars to the Vendor in the following manner:

- (a) the Initial Deposit of C\$500,000 (equivalent to approximately HK\$3,548,000) has been paid on signing of the Amendment Agreement;
- (b) the Further Deposit of C\$3,547,000 (equivalent to approximately HK\$25,166,000) has been paid as of the date of this Announcement; and
- (c) the Consideration after adjustments, less the Deposits and all interest earned thereon, shall be paid on the Closing Date to the Vendor.

Adjustments to the Consideration shall include, without limitation, all realty taxes and local improvement rates and all other adjustments established by the usual practice of the purchase and sale of similar assets. Adjustments shall be made as of the Closing Date. The Vendor shall be responsible for all expenses and shall be entitled to all income accrued from the Property for the period ending at 11:59 p.m. on the day immediately preceding the Closing Date. From the Closing Date, the Purchaser shall be responsible for all expenses and shall be entitled to all income accruing from the Property.

In accordance with the Agreement, the Deposits have been paid into an interest-bearing trust account. The Deposits will be released to the Vendor on Closing.

The Consideration was determined after arm's length negotiations with reference to, among other things, the prevailing market price of comparable properties around the vicinity of the Property and the location of the Property.

If the sale and purchase of the Property is not completed:

- (i) due to the default of the Purchaser, the Vendor shall be entitled to retain the Deposits as liquidated damages without limitation to the Vendor's rights to bring a claim against the Purchaser for specific performance;
- (ii) due to the default of the Vendor, the Purchaser shall be entitled to a return of the Deposits and the interest accrued thereon. The return of the Deposits shall constitute the Vendor's only liability and obligation to the Purchaser; or
- (iii) due to any reason other than set out in (i) or (ii) above, the Deposits shall be returned to the Purchaser. The return of the Deposits and the interest accrued thereon shall constitute the Vendor's only liability and obligation to the Purchaser.

### **Completion**

The target closing date for the Disposal is the Closing Date.

### **Other Terms and Conditions**

The Vendor and the Purchaser agreed that the Agreement shall not be legally binding between them (save for certain sections including confidentiality) on signing, and the Agreement shall only become legally binding upon the payment of the Deposits in full. On 22 August 2014 (Canadian time, after Hong Kong trading hours), the Vendor's Solicitors have confirmed their receipt of the Deposits in full in trust in accordance with the Agreement. Accordingly, the Agreement became effective and legally binding with effect from 22 August 2014 (Canadian time, after Hong Kong trading hours).

The Purchaser shall be responsible for all taxes payable on the transfer of the Property, all registration fees payable on Closing and all federal and provincial value-added, sales and other taxes including harmonised sales taxes imposed under Part IX of the Excise Tax Act (Canada).

The Agreement is governed by the laws of the Province of Ontario, Canada.

## **INFORMATION ON THE PROPERTY**

The Property is a development site with a site area of approximately 10.9 acres. The Property is currently vacant. Zoning approval is in place for 379 apartment units and 72 townhouses and 15 single family lots.

The carrying value of the Property as at 31 March 2014 was approximately C\$19.79 million (equivalent to approximately HK\$140.41 million). Based on a market valuation of the Property obtained by the Vendor, the market value of the Property in its existing state as at 20 August 2014 is C\$26,750,000 (equivalent to approximately HK\$189,790,000).

The net losses (both before and after taxation and extraordinary items) attributable to the Property for the last two financial years ended 31 March 2013 and 31 March 2014 were approximately C\$0.04 million (equivalent to approximately HK\$0.28 million) and C\$0.04 million (equivalent to approximately HK\$0.28 million) respectively.

Upon completion of the Disposal, the Company will realise a gain of approximately C\$7.19 million (equivalent to approximately HK\$51.01 million) before any expenses and income tax on the disposal, subject to audit.

## **REASONS FOR AND BENEFITS OF THE DISPOSAL**

The Company initially acquired the Property for development purposes. The Directors consider that the Disposal represents a good opportunity for the Company to realise the Property at a reasonable price, thus enabling the Company to free its resources for other investments in the future. The Group intends to use the net proceeds from the Disposal for working capital purposes, including the repayment of bank loans.

The Directors consider that the Disposal is on normal commercial terms and that such terms (including the Consideration) are fair and reasonable and in the interests of the Company and Shareholders as a whole.

## **INFORMATION OF THE COMPANY, THE VENDOR AND THE PURCHASER**

### **Information of the Company**

The Company is an investment holding company and its subsidiaries are principally engaged in the manufacture, assembly and sale of electronic watches and watch parts, trading of watch movements and watch parts, property development, property investment and hotel operation.

## **Information of the Vendor**

The Vendor is an investment holding company, and an indirect wholly-owned subsidiary of the Company.

## **Information of the Purchaser**

The Purchaser is a property holding company.

## **IMPLICATIONS UNDER THE LISTING RULES**

As one of the applicable percentage ratios (as calculated in accordance with Rule 14.07 of the Listing Rules) of the Disposal exceeds 5% but is less than 25%, the Disposal constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules.

## **DEFINITIONS**

“Agreement”	collectively, the sale and purchase agreement dated 1 August 2014, as amended by an amendment agreement dated 8 August 2014, both entered into between the Vendor and the Purchaser in relation to the Disposal
“Board”	the board of directors of the Company
“Closing”	the closing of the sale and purchase of the Property
“Closing Date”	23 September 2014
“Company”	National Electronics Holdings Limited, a company incorporated in Bermuda with limited liability and the shares of which are listed on the Stock Exchange
“Consideration”	the consideration of C\$26,980,000 (equivalent to approximately HK\$191,426,000), subject to adjustments
“Deposits”	collectively, the Initial Deposit and the Further Deposit, being 15% of the Consideration
“Directors”	the directors of the Company
“Disposal”	the disposal of the Property by the Vendor to the Purchaser in accordance with the terms of the Agreement
“Further Deposit”	a further deposit of C\$3,547,000 (equivalent to approximately HK\$25,166,000) in respect of the Disposal

“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Third Party”	a person who is not a connected person (as defined in the Listing Rules) of the Company and is a third party independent of and not connected with the Company or its connected persons (as defined in the Listing Rules)
“Initial Deposit”	an initial deposit of C\$500,000 (equivalent to approximately HK\$3,548,000) in respect of the Disposal
“Listing Rules”	The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Parties”	parties to the Agreement
“Property”	the lands and premises known as 3972 Highway 7 East, City of Markham, Ontario, Canada
“Purchaser”	2426483 Ontario Limited
“Shareholders”	the shareholders of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Vendor”	Unionville Development Corporation
“C\$”	Canadian dollars, the lawful currency of Canada
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“%”	percentage

By Order of the Board  
**National Electronics Holdings Limited**  
**Lee Yuen Ching Jimmy**  
*Chairman*

Hong Kong, 22 August 2014

*For illustration purposes only, an exchange rate of C\$1.00 to HK\$7.0951 is used in this announcement. No representation is made that any amount in Canadian dollars or HKD is or could have been or could be converted at such rate or at any other rate or at all.*

*As at the date of this announcement, the executive directors are Mr. Lee Yuen Ching, Jimmy, Mr. Lee Bon Chi, Loewe, Mr. Lee Yuen Kui, James, Mr. Lee Yuen Cheor, Edward and Mr. Wai Kwong Yuen, Ricky, the non-executive Director is Ms. Lee Yuen Yu, Dorathy and the independent non-executive Directors are Dr. Samson Sun, M.B.E., J.P., Mr. Chan Chak Cheung, William and Mr. Chan Kwok Wai.*